

**RESPONSE TO HOUSE CONCURRENT
RESOLUTION 184
2011 REGULAR SESSION
OF THE LOUISIANA LEGISLATURE**

GOVERNANCE COMMISSION



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Executive Summary

House Concurrent Resolution (HCR) 184, authored by Representative Thomas Carmody and Representative John Schroder and adopted in the 2011 Regular Session of the Louisiana State Legislature, urged and requested that the Board of Regents create a commission (the Governance Commission) to study the governance, management, and supervision of postsecondary education. The eighteen members composing the Governance Commission included individuals appointed by the Governor, the Legislature, the state's postsecondary education management boards and the Workforce Investment Council, as specified in the resolution.

This report contains the Governance Commission's response to the two specific tasks charged by HCR 184. The first task, the study, called for an examination of how an improved governance structure would result in:

- a) More efficient use of resources.
- b) Improvement of student access through better alignment of student interest and access.
- c) Better integration of education at all levels through a complete articulation and transfer plan.
- d) More fair and equitable service to all institutions through better representation in the management structure and fuller recognition and support of the special missions and needs of historically black colleges and universities in our state.

Task two, the plan for reorganization, called for a framework for postsecondary education addressing the following four areas:

- a) Analysis of a single board model for the governance of higher education.
- b) Distribution of authorities and responsibilities within postsecondary education.
- c) Tuition policy.
- d) Formula funding.

The Commission held its first meeting on August 19, 2011, and completed its work on January 3, 2012, covering the four major focus areas delineated in the study: 1) governance; 2) budget, formula, and efficiencies; 3) tuition and financial aid; and 4) articulation and transfer. To answer the question of how to use policy to drive improved performance in the four focus areas, the Commission researched each area, identified key guiding principles, heard from national experts, sought input from legislators and postsecondary education stakeholders and determined recommendations related to the charge as outlined above.

The Commission's 21 recommendations, in response to the specific questions in the resolution, are detailed in this report. The major findings are as follows:

- 1) Evaluation and conclusions regarding the creation of a single board to govern public postsecondary institutions.

Response: The Commission looked closely at the single board model for governing postsecondary education as well as other pertinent aspects surrounding the issue of governance. As to the specific analysis of creating a single board, defined as consolidating the state's coordinating and management boards into one postsecondary education board, based upon expert testimony and data from a wide variety of sources, the Commission's findings are as follows:

- Across the country, there is no direct correlation between the type of governance structure and improved outcomes, accountability or efficiency in public postsecondary education.
- Short and long-term savings from a major restructuring of Louisiana's current postsecondary education governance structure are unknown, although there would likely be no immediate savings.
- Transition and legal costs, for a major restructuring, could be substantial.
- The transition period could take a number of years with unknown impact on current efforts to improve performance in postsecondary education.
- There are other remedies that could be explored before undertaking a massive restructuring.

Given these findings, the Commission concludes that it is not in the best interests of the state, at this time, to undertake a restructuring of its postsecondary education governance system. However, the Commission also determines that the *status quo* is unacceptable and concurs with legislative findings that establishing clearer lines of accountability and authority and increasing efficiencies across the postsecondary education system are critical and require action to make Louisiana's postsecondary educational system responsive to student and state needs and to be regionally and nationally competitive. To accomplish this, it recommends that the current governance structure be strengthened and the ambiguities in current law be resolved to provide clearer lines of authority, and establish the Board of Regents as the entity most accountable to the Governor, the Legislature, and the public for postsecondary education in Louisiana.

The Commission also considered other aspects of the governance of postsecondary education in the state and notes that there are inconsistencies in the alignment of institutions within the various management systems. It further recommends that the Board of Regents: 1) complete its review of the role, scope and mission of each postsecondary institution within postsecondary education; 2) establish clear

missions for each management system; and 3) make recommendations to align institutions consistent with their shared missions.

- 2) A detailed articulation of the distribution of authority and responsibilities among entities, offices, and institutions.

Response: The Commission recognizes the frustration expressed by some legislators regarding the lack of clear lines of authority and accountability within postsecondary education and determines that this issue should be decisively resolved. To this end, the Governance Commission recommends that the necessary constitutional and statutory changes be made to clarify the role of the Board of Regents and the postsecondary education management boards, eliminate ambiguities and establish the Board of Regents as the entity with the authority for driving performance improvements in higher education.

The Commission further recommends that the postsecondary education management boards be required – with some appropriate degree of flexibility – to distribute state funding to their member institutions in accordance with the Board of Regents’ performance funding formula and budget recommendations.

Finally, in light of changing fiscal circumstances resulting from state budget cuts and changing student enrollment patterns, the Commission strongly urges the development of a statewide fiscal “early warning” system when there is an indication that a deteriorating financial condition is threatening the viability of an institution.

- 3) Recommendations for the proper mechanism for setting tuition and suggestions regarding the proper balance of state general funds and tuition as a means of funding postsecondary education.

Response: After careful consideration of the issues surrounding tuition and financial aid policy in postsecondary education in Louisiana, the Commission concludes that substantial changes are needed in both areas. After an in-depth review of the policy approaches utilized in other states, the Commission recommends that the Legislature should return tuition authority to the four postsecondary education management boards, as was the practice prior to the application of a constitutional change enacted in 1995. This should be done 1) in compliance with strict guidelines set forth in a *Tuition and Financial Aid Policy* established and implemented by the Board of Regents and approved by the Legislature, and 2) in conjunction with the GRAD Act.

The Commission also recommends:

- **Decoupling the Taylor Opportunity Program for Students (TOPS) from tuition and instead tying it to a more appropriate cost index. This would allow Louisiana's postsecondary education enterprise to function more effectively in today's market-based environment and give the state greater flexibility to maintain the TOPS program for more students despite ongoing fiscal challenges.**
- **Undertaking policy changes to maximize the effectiveness of the GO Grant, the number of students served, and fully funding the program when fiscally possible.**
- **Providing for further study in the areas of encouraging four year completion, reducing barriers for adults enrolling in postsecondary education, and considering the establishment of a TOPS transfer award.**

To address the question of the proper balance between state general funds and tuition dollars, the Commission recommends that the Board of Regents conduct a tuition and aid study focused on cost and affordability. This information is critical to a successful transition from an annual budgeting process to a more long-term strategic approach to funding postsecondary education.

- 4) Proposals regarding the distribution formula of state general funds and the relative importance of equity and performance in that formula.

Response: The Commission finds that sound fiscal policy is key to driving performance in postsecondary education. A sustained performance funding formula with targeted dollars to create incentives for desired outcomes, the flexibility provided by allowing institutions to maintain a fund balance, and both short- and long-term fiscal planning should accelerate the pace of institutional improvements.

The Commission further recommends:

- **Requiring the use of the Board of Regents' performance funding formula as the mechanism to distribute state funding to postsecondary institutions.**
- **Strengthening the funding formula so that it provides incentives – on a customized basis, depending upon the role, scope, and mission of institutions– for workforce preparation, targeted research, ease of student transfer and higher completion rates for at-risk students.**

- **Allowing campuses to establish fund balances through the use of carry-over funds to drive prudent fiscal management and implementation of additional institutional efficiencies.**
- **Conducting an independent cost study to identify and implement improved administrative efficiencies in the public postsecondary system.**

The recommendations in this report are the result of robust discussions and thoughtful consideration based upon best practices and the committed desire of Commission members to create a better postsecondary education enterprise for the state.

The issue of governance is critical and has been intensely debated many times during the last two decades. However, this issue has never been truly resolved. Ultimately, the Commission determined what a number of past studies have also recognized and advocated time and again – strong policy leadership and clarity of governance roles and authority is preferable to a major restructuring. Structure alone does not represent a “silver bullet” for efficiency or effectiveness in the governance of a postsecondary education system, nor does data indicate it is a determining factor in student academic success.

The recommendations in the other subject areas of: 1) budget, formula, and efficiencies; 2) tuition and financial aid; and 3) articulation and transfer are also significant. As a whole, they represent a clear path forward for postsecondary education in Louisiana. What is needed now is vigorous implementation to ensure accountability, drive efficiencies and performance, and secure a stronger postsecondary education system for the benefit of all citizens of our state.

I. INTRODUCTION

The immediate challenge of balancing the state budget for Fiscal Year 2011-12, with diminished revenues and the more enduring task of preparing Louisiana's citizenry to meet the knowledge and skill demands of the 21st Century economy and workplace, led the Louisiana Legislature to closely scrutinize issues fundamental to the state's success in both of those efforts. Keenly aware that the success of the postsecondary education enterprise is key to the economic vitality of the state and its people, the Legislature adopted HCR 184 in 2011 (See Appendix A) to promote an independent and thoughtful assessment of, and possible resolution to, the persisting issues surrounding postsecondary education governance in Louisiana.

While the study resolution closely tied the issue of governance to improved performance, the Commission finds both to be critical but not correlated. However, the Governance Commission embraces the urgent need to secure a stronger postsecondary education system in our state.

The pursuit of improved educational attainment is vital to the economic strength of Louisiana. The era of living-waged, low-skills jobs, exemplified by the manufacturing sector of the last century, is fast becoming obsolete. For Louisiana to gain and maintain a competitive edge in this current knowledge-based global economy, it must generate a better educated, better trained workforce, and must do so promptly.

According to the U. S. Census Bureau, native Louisianians comprise 80% of the state's population. This means Louisiana must educate and train its own citizens if it is to succeed in developing an adequately prepared, highly-trained workforce. This investment in education and training is critical, not only for the state's economic development efforts, but also for its efforts to fight unemployment and poverty, to afford an acceptable quality of life for its citizens, and to enable its postsecondary students to reach their potential.

The Board of Regents' *2011 Master Plan for Public Postsecondary Education* envisions a better educated Louisiana citizenry and sets benchmarks to realize that goal. The Master Plan specifically calls upon the state to achieve three main goals to: 1) increase the educational attainment of the state's adult population to the Southern Regional Education Board (SREB) average by 2025, 2) enhance the research productivity of postsecondary institutions, and 3) improve postsecondary accountability, efficiency and effectiveness.

Authored by Representatives Carmody and Schroder, HCR 184 requested the Board of Regents to create the Governance Commission to study the governance, management and structure of Louisiana's postsecondary educational system. The scope of the study included an examination of how an improved governance structure for postsecondary education could drive more efficient use of resources, create better student and institutional alignment, improve articulation and transfer, strengthen management support of all institutions, and specifically support the special mission and needs of the state's historically black colleges and universities (HBCUs).

HCR 184 further directed the Commission to submit a plan for the reorganization of the governance, management and supervision of postsecondary education to the Legislature. The plan was to reflect the Commission's basic findings and conclusions regarding: 1) creation of a single board governance structure; 2) the proper delineation of the powers and duties of postsecondary education entities; 3) the proper tuition setting mechanism as well as the proper balance of state general funds and tuition; and 4) principles guiding the formula for state general fund distribution, including equity and performance considerations. The Commission's report is to be submitted by January 12, 2012, 60 days prior to the 2012 Regular Session of the Louisiana Legislature.

Composed pursuant to HCR 184, the 18-member commission, (See Appendix B), was comprised of a diverse group of business, education and civic leaders, legislators and public officials. The Commission began its work in August 2011, holding monthly meetings with an aggressive agenda and a comprehensive examination of the issues it was tasked to consider. National experts, representatives of the state's four postsecondary education management boards and Regents' staff made presentations to the Commission on the various topics within the Commission's scope of study. Detailed and well-considered discussion and deliberations followed the presentations on each of the four major areas addressed by the Commission. There was also opportunity provided at each meeting for public input. After months of meetings and study, the Commission completed its work as articulated in this report and as summarized in Appendix C.

The Governance Commission's inquiry into the nature of Louisiana's current postsecondary education governance structure began, by necessity, with an analysis of the current framework of postsecondary education in Louisiana. In addition, the Commission recognized HCR 184 as a clear expression of the Legislature's dissatisfaction with the *status quo* and its search for a mechanism to enhance accountability and in turn demand increased performance. The resolution noted the "perennial issue" of postsecondary governance and the consensus that "there are problems with the current arrangement" with no agreement on the solution. A brief overview of the current legal framework is therefore necessary to identify the specific elements that impede the state's progress toward its postsecondary education goals.

Similar to nearly half the states in the nation, Louisiana currently follows the "coordinating structure" in the organization of its postsecondary education enterprise. The Louisiana Board of Regents (the coordinating board) establishes policy and makes budget recommendations for the public postsecondary institutions in the state which are managed by one of the state's four postsecondary education management boards. A schematic overview of Louisiana's postsecondary education organizational structure can be found in Appendix D and the respective legal authorities of the various boards can be found in Appendix E. This structure is established in Article VIII, Sections 5 through 7.1 of the Louisiana Constitution of 1974 and Title 17 of the Louisiana Revised Statutes of 1950. Section 5(A) of Article VIII of the state constitution vests

the Board of Regents with planning and coordination powers, budgetary responsibility and “other powers, duties and responsibilities provided in this Section or by law.”

Under these provisions, the Board of Regents’ budget responsibilities include the responsibility to make recommendations for postsecondary education funding and capital expenses for every public postsecondary institution. These are made at the beginning of the budget cycle and are subject to modification by the Governor through the executive budget development process, and by the Legislature through the appropriations process. Thus, the eventual appropriations may or may not reflect the Board of Regents’ funding formula or its budget recommendations.

Similarly, the postsecondary education management boards’ administration of the legislative appropriations may not reflect the Board of Regents’ budget recommendations, as appropriations for each postsecondary institution are made to its management board pursuant to Article VIII, Section 12 of the state constitution, to be administered “solely as provided by law.” There is no law requiring that the postsecondary education management boards comply with the Board of Regents’ budget recommendations in administering the appropriations for their institutions. The Board of Regents’ policies in the areas of planning and coordination, too, are largely advisory, as there appears to be no mechanism in the current framework to enforce policies, even in these areas in which the Board of Regents has constitutionally conferred powers.

The Board of Regents is charged to ensure “budgetary responsibility” without a mechanism to enforce budgetary policies. The current budget process lacks an enforcement mechanism, with the exception of a few laws specific to certain matters. It also disconnects the budget development and recommendation process from any subsequent disposition of state appropriations to postsecondary education management boards for their member institutions. As a result, the current arrangement does not provide for meaningful accountability or for the realization of the significant benefits of a statewide planning, coordination and budget development process.

With regard to the delineation of the respective authority of the Board of Regents and the four postsecondary education management boards, Article VIII, Section 5(A) of the state constitution vests Regents with planning, coordination, budgetary responsibility, and certain other specific powers including: 1) the adoption of a master plan and funding formula; 2) approval, disapproval, revision or elimination of degree programs; 3) to study and report on merger, transfer or creation of institutions; and 4) to formulate budget recommendations for all institutions. Section 5(E) reserves to the postsecondary education management boards “all management powers not specifically vested by this Section in the Board of Regents.”

The above provisions not only fail to delineate the respective spheres of authority of the Board of Regents and the postsecondary education management boards, they are also potentially conflicting. Regents has other powers provided “by law” pursuant to Section 5(A) and may thus

be vested with other powers by the Legislature. Yet, under Section 5(E), “all management powers not specifically vested by this Section in the Board of Regents” are reserved to the postsecondary education management boards, which limits the Legislature’s power, contrary to Section 5(A), to supplement Regents’ authority through legislation. In other words, Section 5(E) only recognizes those powers of Regents vested by Section 5, not those vested by law, in apparent conflict with Section 5(A) which recognizes Regents’ powers vested by Section 5 as well as by law. (One could attempt to harmonize these two seemingly conflicting subsections by interpreting Section 5(E) as only limiting the Legislature’s authority to vest Regents with “management powers,” not any other powers. Under this view, the validity of any laws vesting Regents with powers not specified in the Constitution would hinge on the distinction between “management” and “non-management” powers, a distinction not clearly expressed in law and thus open to interpretation.)

The law provides no effective resolution of this potential Constitutional conflict. Act 447 of the 2010 Regular Session of the Louisiana Legislature attempts to clarify the respective roles of the Board of Regents and the postsecondary education management boards, but includes no enforcement mechanism. Thus, the potential conflict in the above constitutional provisions has not been definitively resolved. These areas of ambiguity hamstringing a system seeking greater public accountability and must be addressed. The Commission studied and debated the “perennial issue” of postsecondary education governance and further considered past efforts by the Legislature and the recommendations of others, such as the Postsecondary Education Review Commission (PERC) and the Public Affairs Research Council of Louisiana (PAR). (See Appendix F.) The Commission carefully balanced the unacceptability of maintaining the *status quo* against the need to avoid unnecessary drastic changes and the long and disruptive implementation process that would be the inevitable result of completely restructuring Louisiana’s postsecondary structure.

II. FINDINGS AND RECOMMENDATIONS

As directed by the resolution, the Commission focused its analysis and deliberations on the four major areas it was tasked to study: 1) governance; 2) budget, formula, and efficiencies; 3) tuition and financial aid; and 4) articulation and transfer. The Commission’s findings and recommendations are outlined below.

A. Governance

The Commission’s primary inquiry focused on determining the proper governance structure for postsecondary education in Louisiana, with specific analysis on the advisability of moving to a “single governing board” model, which would result in the consolidation of policy board and management board functions. As part of this inquiry, the resolution authors asked that the Commission determine whether restructuring to a single board model would produce cost

savings and improve public accountability within postsecondary education. Expert testimony and information received from various national and Louisiana-specific studies highlighted several key points:

- Governance models vary by state, with about half utilizing a single-board model and the other half a multiple board model, with a coordinating board, as is used in Louisiana.
- There is no “one size fits all” approach or an ideal governance model.
- States can learn from the successes of other states, but should not necessarily copy the structure of another state.
- An approach tailored to the specific governance needs of a state, taking into account its history, politics, and culture is preferable.
- It is critical that the governance structure produce a reasonable and manageable span of control that provides for alignment with the state’s priorities and goals.

Louisiana’s current public postsecondary education governance structure has a board charged with policy and coordination (Board of Regents) and four postsecondary education management boards that are constitutionally charged with handling the day-to-day operations of their member institutions (University of Louisiana System, Louisiana State University System, Southern University System, and the Louisiana Community and Technical College System).

Louisiana’s postsecondary education structure continues to evolve, with the creation of the Louisiana Community and Technical College System in 1999, the recent movement of the University of New Orleans into the University of Louisiana System in December 2011, and the ongoing discussions regarding restructuring the Louisiana State University System.

The question of whether a single governing board is right, at this time, for Louisiana is not a new one. It has been intensely debated for at least the last two decades, without resolution. For the most part, recent studies have suggested that what is needed in Louisiana is not a major restructuring of governance, but a strengthening of the current structure to improve public accountability and postsecondary education performance. In 2010, PERC, which on a split vote endorsed a variation of a single board model, also made an alternative recommendation to strengthen the current structure, until and unless a change in the governance structure occurs, by clarifying the authority of the Board of Regents consistent with the recommendations put forth by the 2009 PAR report regarding postsecondary education governance.

The Commission’s consideration of the appropriate governance structure was aided by the testimony and guiding principles shared by Dr. Aims C. McGuinness, a senior associate with the National Center for Higher Education Management Systems (NCHEMS) and nationally recognized expert who has provided advice and guidance on postsecondary education governance issues in all 50 states and several foreign countries. He urged the Commission to be

explicit about the specific problems that are the catalysts for the reorganization initiative, weigh the costs of reorganization against the short- and long-term benefits, and ask whether reorganization is the only or the most effective means by which to address the problem prior to recommendations for a change in governance.

Relevant Findings:

The Commission undertook a thorough review and analysis of the diverse composition of Louisiana's postsecondary system which includes technical colleges, two- and four-year colleges and universities, law centers, agricultural centers, medical schools and public safety-net hospitals.

1. The Commission determines that the legislative concerns about establishing clearer lines of accountability in postsecondary education and increasing efficiencies across the system are valid and require action. However, the Commission's ultimate conclusion is that what is needed today is not a new board structure, but rather increased clarity, both in law and policy, delineating each board's responsibility and strengthening accountability within the current structure to drive improvement in overall educational attainment in the state.
2. As to the specific analysis of the potential benefits of creating a single board, based upon expert testimony and data presented from a wide variety of sources, the Commission determines that:
 - a. Across the country, there is no direct correlation between the type of governance structure and improved outcomes, accountability or efficiency in public postsecondary education.
 - b. Short and long-term savings from a major restructuring of the current multiple board structure are unknown and no immediate savings are likely. The combined budgets of Louisiana's postsecondary education management boards represent less than one percent of the state's overall postsecondary education budget.
 - c. Transition and legal costs from a major restructuring could be substantial. Furthermore, the transition period is logically expected to take a number of years with an unknown impact on ongoing efforts to improve performance in postsecondary education.
 - d. There are other remedies that could be explored before undertaking a massive restructuring of governance.
3. The Commission notes that the critical ambiguities and potential conflicts in current law adversely impact accountability efforts in public postsecondary education. This is a weakness that has been articulated repeatedly by all who have studied the governance structure in

Louisiana, including some proponents of a single board structure. Other aspects of the governance of postsecondary education in the state were also considered.

4. In addition, the Commission determines that there is a definite need for a clear, concise and accurate process by which to assess the performance of postsecondary education institutions and systems and provide concise, easily understood information to the Legislature and the public regarding progress being made in the state's efforts to increase educational attainment in Louisiana.
5. Finally, the Commission found inconsistencies in the alignment of institutions within the various management systems.

Recommendations on Governance:

1. It is in the best interests of the state not to undertake a major restructuring of its postsecondary education governance system at this time.
2. The Commission recommends that the constitutional and statutory authority of the various boards should be clarified to eliminate the ambiguities that exist in current law, provide clearer lines of authority and make the Board of Regents the entity most accountable for the performance of postsecondary education in Louisiana. Three Commissioners, representing the Louisiana State University System, the University of Louisiana System and the Southern University System on the Commission, dissented on the specific need for constitutional changes to delineate board responsibilities and to clarify the role of the Board of Regents.

In addition, the Commission recognizes the authority provided to the Board of Regents and the postsecondary education management boards in Act 447 of the 2010 Regular Session of the Legislature with respect to powers, duties, and functions and recommends that the Board of Regents follow that law with fidelity.

3. The Board of Regents should complete its review of the role, scope and mission of each institution within postsecondary education and establish clear mission statements for each management system. Institutions should be appropriately aligned within those systems based on their shared missions.
4. By December 31, 2012, the Board of Regents should establish a publicly accessible "dashboard" of performance measures in order to monitor system and institutional success and to ensure transparency of information for both the Legislature and the general public.

B. Budget, Funding Formula, and Efficiencies

As state general funds continue to decline in Louisiana and in other states across the country, the focus on funding for postsecondary education has become more intense and more significant.

Indeed, one of the key reasons cited for the creation of the study on governance was cost concerns.

Given this reality, the Commission reviewed all aspects of postsecondary education funding including the funding structure, budget process, fiscal trend data and efficiency efforts in Louisiana as compared to other states.

One of the constitutional roles of the Board of Regents is to develop and adopt the postsecondary education funding formula. Regents makes funding recommendations to the Governor and the Legislature each Fall. However, the appropriation authority rests with the Legislature, which is required by the state constitution to make appropriations directly to the postsecondary education management boards for the operation of their member institutions.

The current performance funding formula is used to recommend funding levels for all public technical colleges, two-year institutions and four-year institutions. The formula includes two components – cost and performance. The cost component provides funding for student credit hours, as well as faculty, student academic support, administration and facilities. The performance component is awarded based on annual success in meeting the benchmarks established in each participating institution’s six-year performance agreements pursuant to the Louisiana Granting Resources and Autonomy for Diplomas Act (GRAD Act). Success in meeting these GRAD Act benchmarks also allows institutions to increase tuition and receive specified operational autonomies. (See Appendix G)

The Board of Regents makes funding recommendations for institutions not included in the performance formula as well. Non-formula units include the postsecondary education management boards, agricultural centers, law centers, health sciences centers, and the Pennington Biomedical Research Center. Budget recommendations for non-formula units are generally developed using regional peer data analysis. The Board of Regents also formulates and recommends a capital outlay budget (for new facilities as well as existing facility improvements) and studies the financial feasibility, as well as other criteria, for new academic programs or any proposed new institutions.

The four postsecondary education management boards receive and expend the funds appropriated from the Legislature, but also handle financial matters such as employment compensation, institutions’ financial operations, and purchase and acquisition of land, other property and supplies.

Efforts to encourage long-term and strategic fiscal planning were balanced by the Commission against the reality that Louisiana’s annual budget cycle is not complete until the last month of the outgoing fiscal year. This means final budget authority comes a few months into the new fiscal year for all state-funded agencies, including postsecondary education. Despite this timing challenge, the Commission finds a need for more strategic fiscal planning.

In analyzing actual revenue for postsecondary education, the Commission examined the funding shift occurring in Louisiana from the historic state/student funding ratio of 70 percent state/ 30 percent student in fiscal year 2008-09 to almost equal funding from student and state resources in the current budget. This funding shift is not specific to Louisiana, but it carries with it a need to understand the potential impact on student access and affordability, two components closely tied in our state.

Cost drivers including employee health insurance, retirement and risk management were discussed, as these areas alone represent a cost increase of \$188 million over the last three fiscal years, outpacing tuition revenue increases and further exacerbating the fiscal challenges of postsecondary education. Cost containment and cost avoidance measures from other states were reviewed as part of the focus on fiscal efficiencies. Current in-state campus and system efficiency efforts in consolidating administrative functions such as human resources, information technology (IT), and auditing were highlighted as well.

The Commission received testimony from two national experts Jeff Stanley, Associate Vice President, State Higher Education Executive Officers (SHEEO), and Rich Petrick, Executive Director, Ohio Business Alliance for Higher Education and the Economy, which helped frame its guiding questions, key findings and ultimately its recommendations in this policy area.

In developing recommendations, the Commission focused on improvements in the most critical budgeting practices - the need for multi-layered fiscal policies (including rewards and penalties) to drive institutional gains, best practices in formula funding, improved institutional efficiencies, and better budget planning and coordination in order to drive institutional improvements.

Relevant Findings:

1. The state should have a budget development process for postsecondary education that:
 - Aligns resources with strategic priorities outlined in the *2011 Master Plan for Public Postsecondary Education*.
 - Examines the long-term consequences of short-term decisions.
 - Concentrates on the long-term financial viability of postsecondary education.
 - Ensures the financial stability, predictability, and growth of postsecondary education.
 - Supports the unique role, scope and mission of each institution.
 - Provides institutions with approved budgets that coincide with the beginning of the fiscal year.

2. Funding is an effective tool for changing institutional behavior. However, navigating in the new budget realities, often referred to as the “new normal,” requires careful and thoughtful planning and sophisticated data and analysis. Detailed knowledge of current cost drivers and future projections for both revenues and required expenditures are essential in planning and setting both short- and long-term goals and objectives.
3. Good fiscal policy should combine a sustained performance funding formula with targeted dollars, institutional fund balances and immediate and near-term fiscal planning to accelerate institutional improvements.
4. One of the main deficiencies in postsecondary education’s budget process is the disconnect between the recommendations generated by the funding formula and the actual distribution of funding by the postsecondary education management boards. While state law requires that campus-level funding recommendations be submitted to the Legislature no later than March 15th of each year, at the end of the legislative session lump-sum appropriations are made to each of the postsecondary education management boards for their distribution to their member institutions.
5. While the current performance funding model is the work-product of years of planning and takes into account input from postsecondary education constituents, there is still room for improvement and a need for alignment with national best practices.
6. Currently there is no formal statewide system in place to monitor the fiscal health of Louisiana’s college and universities and to identify when a postsecondary education institution is trending towards a financial crisis. The Commission examined Ohio’s postsecondary education early warning system as a potential model.
7. One of the most important lessons learned from both the current fiscal crisis and the aftermath of Hurricanes Katrina and Rita is that institutions must plan ahead and adopt good fiscal policies that assist in mitigating financial downturns, changes in enrollment patterns, and emergency situations. Building a fund balance would assist institutions in planning for the future but should not be used to penalize institutions during economic downturns nor be accumulated as a result of decreasing student services.
8. The planned implementation of the Board of Regents’ admissions requirement changes for 2012 and 2014 will cause a shift in student enrollment, impacting both the associated state general funds and related self-generated revenue. For some institutions, this shift is projected to be significant. Therefore, postsecondary education management boards and institutions must have sound plans to manage this transition and should share those plans publicly.
9. Accurate analysis is needed to determine the proper balance of tuition and state support to transition from an annual budgeting process to a more long-term approach in order to drive improved accountability and efficiencies in the system.

Recommendations on Budget, Funding Formula, and Efficiencies:

1. Utilize the Board of Regents' funding formula for the actual distribution of funding to public postsecondary education and not just as a recommendation tool. Postsecondary education management boards should be given an appropriate level of flexibility to redirect a small portion of the allocation specified by the formula to address specific issues that may arise during the budgetary allocation process.

In addition, the Commission recognizes the authority set forth in Act 447 of the 2010 Regular Session of the Legislature regarding clarity of the Board of Regents' powers, duties, and functions, and recommends that the Board of Regents follow it with fidelity.

2. The Board of Regents should continue to seek ways to strengthen the funding formula. Improvements might include the use of multi-year data and rewards for institutions for workforce, research, student transfer, and degree completion of at-risk students (such as first-generation students, academically under-prepared, students needing financial assistance, and adult learners returning to the classroom). Institutional role, scope, and mission should be taken into account as well.
3. The Board of Regents should adopt a fiscal "early warning system" by August 2012 that allows the Board, in coordination with the postsecondary education management boards, to intervene during times of significant deterioration of financial conditions at the institutional level.
4. The Legislature should consider laws allowing the establishment of fund balances to be carried by each institution in order to drive prudent fiscal management and improved institutional efficiencies.
5. The Legislature should consider establishing a Performance and Efficiency funding pool of \$36M, when funds are available, to further drive improvements in meeting statewide policy goals.
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Institutional plans should include policy changes in the management of postsecondary education institutions, such as reorganization, to adapt to new enrollment levels, reforms to long-term fixed costs, and other measures to demonstrate an ability to adapt to "the new normal" within a reasonable timeframe.

7. The Board of Regents should conduct an independent cost study to identify and implement improved administrative efficiencies in each system in coordination with the management boards. A tuition and aid study focused on cost as well as affordability should also be conducted by the Board of Regents.

C. Tuition and Financial Aid

The Governance Commission was asked to address two issues regarding tuition and financial aid: (1) the proper mechanism for setting tuition and the proper balance between state general funds and (2) tuition as a means of funding postsecondary education.

Currently, tuition-setting authority rests with the Legislature and requires a two-thirds vote of each chamber for any increase in tuition. In fact, Louisiana is the only state in the nation that requires a two-thirds vote of the Legislature to increase tuition. This change occurred as a result of the application of a 1995 constitutional amendment. Tuition was determined, following passage of the law, to fall within the definition of a “fee.” As a result, the Legislature assumed the tuition-setting role. In 2010, the Legislature statutorily tied tuition increases to successful institutional performance based on an annual review of the campus performance agreements, pursuant to the GRAD Act.

In 2005, the Board of Regents developed a *Tuition and Financial Aid Policy* which included suggested ranges for tuition by institution, taking into account Louisiana’s per capita income as access to postsecondary education for many students is significantly influenced by affordability. The *Tuition and Financial Aid Policy* has not been updated since the creation of the GO Grant, Louisiana’s need-based aid program, or the passage of the GRAD Act, which allows institutions to earn tuition increases of up to 10% a year until reaching the SREB average.

Tuition for postsecondary education in Louisiana is lower than its SREB peers, with four-year college tuition much farther from their peer averages than the two-year college tuition rates. In addition, during the 2011 Regular Legislative Session, two-year institutions in the LCTCS were given authority to equalize tuition above the amounts allowed by the GRAD Act. A 2011 legislative study resolution (HCR 110) also requested the Board of Regents to make recommendations to the Legislature regarding the need to equalize tuition at four-year institutions.

Another complicating factor in the area of tuition-setting involves the statutory connection between Louisiana’s merit-based scholarship program (TOPS) and student tuition. Because TOPS is directly linked to the cost of tuition at public postsecondary institutions, the state costs required to fund TOPS increase commensurately with every tuition increase.

Commission members were provided a complete overview of the state’s current financial aid program, with a major focus on TOPS (merit-based aid) and GO Grants (need-based aid) including the criteria, costs and benefits of both programs.

For the 2010-11 academic year, TOPS awarded \$145 million in grants to about 43,000 students. In that same year, GO Grants served about 30,000 students with \$25 million dollars in state funding. Furthermore, while the state’s merit-based aid program has been fully funded since its creation, the state’s need-based aid program has been cut in half from \$2000 to \$1000 per eligible student, as a result of recurring state budget deficits.

Commission members also reviewed a recently released report regarding the impact of Louisiana’s financial aid on student retention in four-year institutions from Noel Levitz. This Gates-funded study included policy recommendations on how best to optimize the state’s need-based aid program, while also advocating full funding of need-based aid. (See Appendix H)

As to the question of the appropriate funding balance for the state’s higher education enterprise, Commission members discussed the current funding mix of about half student- and half state-support for postsecondary education. This funding shift requires both an immediate and sustained focus on the issues of student access and affordability, given the need to also ensure adequate financial support for postsecondary education Louisiana.

Relevant Findings

1. Tuition and financial aid policies should properly balance competing priorities, and Louisiana must maintain a system that balances the need to develop excellence in postsecondary education without overly restricting access through an excess financial burden to students.
2. Louisiana’s tuition and financial aid system should be based on predictability and stability for students, parents and postsecondary education institutions and should maximize student access and affordability to the greatest extent possible.
3. Although the Legislature is responsible for approving tuition increase, tuition-setting authority should be based on analysis of both costs and affordability through a deliberative and data-driven process, not a political one.
4. In the “new normal,” where there is a shift to greater reliance on consumer support over state support, sound fiscal policy in the areas of appropriations, tuition, and financial aid is required.
5. Financial aid policies should be aligned with and support the state’s major policy areas including encouraging four-year completion, returning adults, transfer students, at-risk students, and workforce alignment.
6. The state’s merit-based aid program is a valuable program for Louisiana that must be retained. Because of its direct connection to the state budget, TOPS has an overwhelming impact on

policies and decisions related to tuition and aid in the state, exerting significant influence over the setting of tuition levels.

Recommendations on Tuition and Financial Aid

1. Tuition authority should be returned to the postsecondary education management boards, within strict guidelines established in the *Tuition and Financial Aid Policy* established and implemented by the Board of Regents and approved by the Louisiana Legislature.

This policy should be designed to be compliant with the GRAD Act by indexing to SREB median tuition and taking into account Louisiana's per capita income. This policy also should seek to correct historical inequities in tuition schedules which remain unaddressed as a result of across-the-board tuition increases over time.

Other items, such as a Student Bill of Rights, financial aid packaging, progression scholarships, differential tuition, and charges per credit hour, should also be addressed.

2. The Board of Regents should develop a policy and the Legislature should make the required statutory changes to decouple the amount of individual student TOPS awards from the actual tuition charged at individual postsecondary education institutions. The total amount of TOPS awards and annual increases in state funding for TOPS should be tied to an appropriate cost index, e.g. Higher Education Cost Adjustment (HECA) or the Consumer Price Index (CPI), instead of tuition. These changes should be phased-in over time in order to preserve predictability and consistency for students currently receiving TOPS awards.

This approach will bring market forces to bear at both the student and institutional level in an environment of finite state resources. It will make institutions more cognizant of their tuition levels as a determinate in the choices that will be made by students receiving TOPS awards. It will also encourage students to factor in cost-of-choice, by making decisions with personal and family finances in mind.

Louisiana should continue the state's current practice of awarding additional stipends to higher performing students receiving TOPS awards in order to attract the highest performing students to Louisiana's colleges and universities.

3. Re-design the TOPS Tech Award to meet the goals of reinforcing the original intent of the award and the need to provide greater utilization and choice for students.

The redesign should involve the Board of Regents, the Louisiana Department of Education, the Louisiana Community and Technical College System and the Louisiana Workforce Commission and include the following considerations:

- a. Broadening the eligible programs covered by the award by reassessing the connection with state workforce needs and Career Areas of Concentration requirements.
 - b. Maintaining current alignment to WorkKeys and ACT.
 - c. Aligning curriculum requirements for the award to the Department of Education Career Diploma curriculum as well as the LA Core 4 graduation requirements.
4. The Legislature should annually evaluate overall expenditures on the TOPS program against other high priority budget items and determine the most equitable way to allocate TOPS award amounts to eligible students.
5. In developing the Tuition and Financial Aid policy in relation to GO Grant, the Commission recommends the following:
- a. GO Grants should be repackaged at the institutional level to meet the goal of providing an eligible student's aid to a level of 55% of total need for full-time students at four-year institutions when added to PELL Grant, TOPS, and other institutional aid. This is based on the Noel-Levitz study funded by the Gates Foundation and designed to determine a cost-effective level of need-based aid funding in the PELL Grant population.

Additionally, it is recommended that, upon completion of the Noel Levitz study on two-year institutions, those recommendations on financial aid and retention also be addressed.

- b. The Board of Regents should develop policy that would incent colleges and universities to provide GO Grant awards to adult students enrolling in postsecondary education in order to increase access and promote progression in this population.
 - c. The state's need-based aid program should be expanded when funds become available and the GO Grant should be used more effectively to optimize student retention and completion as tuition levels continue to increase.
6. In developing new policy, the Commission recommends further study and policy audits in the following areas:
- a. Solutions to access and progression barriers for adults returning to postsecondary education, including financial aid, student tracking and advisement, academic bankruptcy and forgiveness policies.

- b. The potential and challenges of creating a TOPS transfer award that establishes merit-based prerequisites for student eligibility to transfer to a four-year university after successful completion of a Louisiana Transfer Degree.
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7. The Board of Regents should analyze current policies against the goal of encouraging four-year completion. Considerations that could be included in the analysis are as follows:
- a. Implementation of student tracking and degree audit programs at each campus.
 - b. Creation of major maps for all majors.
 - c. Standardization of the bachelor degree at 120 credit hours and associate degrees at 60 credit hours, where applicable.
 - d. Consideration of limiting state funding to a maximum number of credit hours for bachelor's degrees and associate degrees, where applicable.
 - e. Creation of student tuition discounts as an incentive to finishing early.

D. Articulation and Transfer

HCR 184 called for the Commission to examine how improved governance would result in the development of a complete articulation and transfer plan for public postsecondary education in Louisiana. The analysis of this policy area suggests that Louisiana is currently well on its way to fully implementing a model articulation and transfer program. Designed based on best practices spelled out by the SREB, Louisiana's postsecondary education community is currently in the second year of implementation of Act 356 of 2009. This comprehensive legislation calls for the development of a statewide transfer degree which would guarantee junior status at a four-year institution upon successful completion of the transfer associate degree.

The statewide transfer degrees were approved by the Board of Regents in May 2010 for implementation in Fall 2010. In the first year, 546 students enrolled in the transfer degree and 11 graduated. By Fall 2011, the beginning of the second year, there were 1,161 majors in the Louisiana Transfer Degree Program.

Act 356 goes beyond the establishment of a clear student pathway for articulation and transfer. It also recognizes the paramount role of faculty in the development and success of articulation

and transfer, the importance of strong student advising and the need for a robust communication plan to inform students about the state's transfer degree program.

While initial implementation of the transfer degrees has been completed within the one year legislative mandate and additional degrees are being developed, the timely implementation of common course numbering has lagged. The Board of Regents is working with faculty, by discipline, to ensure the completion of the critical first step – course alignment – so that implementation of common course numbers will solidly build on common course content.

Relevant Findings:

1. Through the work begun as a result of Act 356, Louisiana is in the forefront nationally regarding efforts to streamline and standardize articulation and student transfer.
2. Continued progress toward full implementation of student articulation and transfer should be supported and encouraged, but should also be accelerated.
3. Standardizing content and common course numbering is the essential next step in the implementation of Act 356.
4. Complete implementation of the articulation and transfer process will meet the needs of students by guaranteeing the portability of their college credits, which supports timely graduation and cost savings for students and the state.
5. It would also be helpful to students, the Legislature and the general public to have a more detailed annual report on articulation and transfer. This will serve to build confidence in the transfer process, track overall student progress, and provide data that will be useful in further improving Louisiana's transfer policies.

Recommendations on Articulation and Transfer:

1. The Board of Regents and the postsecondary education management boards should continue their collaborative implementation of the comprehensive articulation and transfer system in accordance with Act 356 of the 2009 Regular Session of the Louisiana Legislature, building upon the significant progress made to date.
2. The Board of Regents, the postsecondary education management boards, and the Statewide Articulation and Transfer Council should accelerate and intensify development of the common course numbering system required by Act 356 of the 2009 Regular Session in accordance with the following timeline:

- a. Common course numbers and content for the courses contained in the Board of Regents' general education core curriculum should be established by the beginning of the 2012-13 academic year.
 - b. Common course numbers and content for the courses required for completion of the Associate of Arts and Associate of Science transfer degrees should be established by the beginning of the 2013-2014 academic year.
 - c. Common course numbers and content for all remaining lower division courses should be established by the beginning of the 2014-15 academic year.
 - d. Common course numbers and content for all remaining undergraduate courses should be established by the end of the 2015-16 academic year.
3. The Board of Regents should report annually on the status of transfer students by institution using the following indicators: 1) the number of students who transfer from two-year colleges to universities; 2) the number of students who complete the transfer degree; 3) the number of transfer students who go on to complete a baccalaureate degree and the awarding institution; and 4) a comparison of baccalaureate graduation success of native students compared to transfer students.

III. CONCLUSION

Louisiana's economic future depends upon an educated populace. The well-being of its citizens and their enjoyment of the benefits of living in this state are inextricably tied to the continued ability of the public postsecondary educational system to graduate students who are prepared for the 21st century economy, jobs that often require credentials and specific preparation not attainable without significant work beyond the high school level. The Louisiana postsecondary education system and its institutions will be required to perform at increasingly higher levels, if the goals important to Louisianians and set by the state are to be achieved.

Increased performance will require improved productivity and efficiency in postsecondary education, with fewer resources available to fund and support these efforts. Strong policy leadership, combined with aggressive implementation of the Commission's recommendations, would clearly and definitively address the most critical issues in the four policy areas addressed in this report. These actions will go far in securing a more responsive, accountable and student-focused postsecondary education system.

Reaching Louisiana's educational goal will require the active engagement of the state in partnership with elementary, secondary and postsecondary education. The Governance Commission members stand as ready partners in this work for the betterment of Louisiana's students and the public postsecondary institutions whose mission it is to serve them.

Appendix C

Adopted Recommendations

Recommendations on Governance

1. It is in the best interests of the state not to undertake a major restructuring of its postsecondary education governance system at this time.
2. The Commission recommends that the constitutional and statutory authority of the various boards should be clarified to eliminate the ambiguities that exist in current law, provide clearer lines of authority and make the Board of Regents the entity most accountable for the performance of postsecondary education in Louisiana. Three Commissioners, representing the Louisiana State University System, the University of Louisiana System, and the Southern University System on the Commission, dissented on the specific need for constitutional changes to delineate board responsibilities and to clarify the role of the Board of Regents.

In addition, the Commission recognizes the authority provided to the Board of Regents and the postsecondary education management boards in Act 447 of the 2010 Regular Session of the Legislature with respect to powers, duties, and functions and recommends that the Board of Regents follow that law with fidelity.

3. The Board of Regents should complete its review of the role, scope and mission of each institution within postsecondary education and establish clear mission statements for each management system. Institutions should be appropriately aligned within those systems based on their shared missions.
4. By December 31, 2012, the Board of Regents should establish a publicly accessible “dashboard” of performance measures in order to monitor system and institutional success and to ensure transparency of information for both the Legislature and the general public.

Recommendations on Budget, Funding Formula, and Efficiencies

5. Utilize the Board of Regents’ funding formula for the actual distribution of funding to public postsecondary education and not just as a recommendation tool. Postsecondary education management boards should be given an appropriate level of flexibility to redirect a small portion of the allocation specified by the formula to address specific issues that may arise during the budgetary allocation process.

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workforce, research, student transfer, and degree completion of at-risk students (such as first-generation students, academically under-prepared, students needing financial assistance, and adult learners returning to the classroom). Institutional role, scope, and mission should be taken into account as well.

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seek to correct historical inequities in tuition schedules which remain unaddressed as a result of across-the-board tuition increases over time.

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- 19. The Board of Regents and the postsecondary education management boards should continue their collaborative implementation of the comprehensive articulation and transfer system in accordance with Act 356 of the 2009 Regular Session of the Louisiana Legislature, building upon the significant progress made to date.
- 20. The Board of Regents, the postsecondary education management boards, and the Statewide Articulation and Transfer Council should accelerate and intensify development of the common course numbering system required by Act 356 of the 2009 Regular Session in accordance with the following timeline:
 - a. Common course numbers and content for the courses contained in the Board of Regents' general education core curriculum should be established by the beginning of the 2012-13 academic year.
 - b. Common course numbers and content for the courses required for completion of the Associate of Arts and Associate of Science transfer degrees should be established by the beginning of the 2013-2014 academic year.
 - c. Common course numbers and content for all remaining lower division courses should be established by the beginning of the 2014-15 academic year.
 - d. Common course numbers and content for all remaining undergraduate courses should be established by the end of the 2015-16 academic year.
- 21. The Board of Regents should report annually on the status of transfer students by institution using the following indicators: 1) the number of students who transfer from two-year colleges to universities; 2) the number of students who complete the transfer degree; 3) the number of transfer students who go on to complete a baccalaureate degree and the awarding institution; and 4) a comparison of baccalaureate graduation success of native students compared to transfer students.